DATE: FEBRUARY 7, 1995

TO: STORE MANAGEMENT TEAM

FROM: SALES SUPPORT
KIH BUYING OFFICE - DEPARTMENT 57

SUBJECT: 1995 CIGARETTES RESET

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Kmart has entered into a long term cigarette merchandising agreement with R.J. Reynolds Tobacco Company that will require some adjustments in your cigarette department. This will affect all Kmart stores and will occur over a three month period beginning February 20, 1995. The reset will meet the following objectives:

- A reduction of the current carton inventory in your store (approximately 400 cartons).
- The elimination of the free standing Philip Morris individual loose pack 4 foot fixture.
- Relocating loose packs to a new individual loose pack fixture insert. This insert is to be placed within your existing carton merchandiser fixture.
- In all new and refurbed stores, move the existing endcap loose pack PFD fixture to a bargain table location. This bargain table location must be close to the current cigarette endcap. There will be a new dual sided loose pack PFD cigarette fixture(vendor funded) installed.
- Incorporate the Best Value cigarettes off of the Laneblocker into the PFD fixture.
- The removal of the Philip Morris Checkout Power Pole Displayer. Relocate loose packs into other fixtures.

The following steps will occur as your store is scheduled for its reset:

- The RJR representative will visit your store approximately one week prior to the actual reset. This person will remerchandise your existing carton merchandiser, leaving a 4' foot section empty. If your store is not scheduled to receive a new dual sided loose pack PFD fixture, the representative will also remerchandise your existing endcap PFD incorporating the Best Value cigarettes from the checkout laneblocker. This project will take approximately 3 hours.
- Two to five days later, a representative from Slate Retail Systems will install loose pack fixture modules in the vacant 4' section and condense/reset the Philip Morris loose packs into these modules. Once empty the Slate rep will place the Philip Morris rack in the stockroom for future pick-up by your Philip Morris rep. The rep for Slate will call you at least 24 hours ahead of their scheduled reset date to arrange a convenient time and cover any of the details. If your store has the 8 Power Pole loose pack racks, Slate will remove them and incorporate the packs into existing layouts. These racks will also be placed in the stockroom for pick-up.

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- In the new and refurbed stores, Slate will also install a new dual sided loose pack PFD fixture in place of a bargain table. Position this new fixture nearest the existing endcap PFD. The endcap PFD will be removed. The new dual sided PFD will be used to merchandise RJR's full price brands and the Best Value/RJR Savings Brands. The top shelf of this fixture will also be utilized for RJR Promotional Activity.

- The existing checkout laneblocker and space vacated by the new PFD should be used for seasonal merchandise until further notice.

- The excess full cartons (if any) will be 605'd by your local tobacco distributor after the reset is complete (approximately 4 hours). The excess loose packs (if any) will be worked into the layout/fixtures as product sells down. These loose packs cannot be returned.

To make this change/reset successful and smooth as possible, please give the tobacco companies, the distributors and the service reps your usual fine cooperation.

If you have any questions, please feel free to call:

KIH - 1-(810)643-1714 or 1-(810)643-2627
Bill Ragsdale - 1-(800)457-5283 Slate Retail Systems
Dennis Bellinger - 1-(810)642-2370 R.J. Reynolds

Sincerely,

D. O. Williams - Buyer Department 57

Reg Means - Divisional Vice President -Div.II

Lee Maniago - Director of Hardlines Sales and Promotions

cc: Paul Hueber
Larry Foster
Gary Ruffing
Ellyn Depauw

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